

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 EA-11 ADP-00 IGA-02 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08

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OMB-01 RSR-01 /168 W

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P R 181805Z JUL 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 5639

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

C O N F I D E N T I A L NEW DELHI 8339

PASS AGRICULTURE

E.O. 11652: GDS

TAGS: EAGR IN

SUBJ: U.S. AGRICULTURAL EXPORT CONTROLS

REF: STATE 125374

SUMMARY. PRESS REACTION TO U.S. EXPORT CONTROLS MILD. GOI OFFICIALS SURPRISED AT DEVELOPMENTS AND ARE PLANNING TO INTENSIFY THEIR EFFORTS TO ACHIEVE SELF-SUFFICIENCY IN AGRICULTURAL PRODUCTION.

OF PRODUCTS NOW UNDER EXPORT CONTROLS, ONLY FATS AND OILS ARE OF PARTICULAR CONCERN TO INDIA. HIGHER WORLD PRICES OF THESE PRODUCTS ARE EXPECTED TO RESULT IN LOWER PER CAPITA CONSUMPTION. IMPOSITION OF EXPORT CONTROLS ON CEREAL GRAINS MAY CREATE SERIOUS FOODGRAIN PROBLEMS FOR INDIA. END SUMMARY.

1. PRESS HAS REPORTED U.S. AGRICULTURE EXPORT CONTROLS WITH VERY CONFIDENTIAL

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LITTLE COMMENTARY. GOI OFFICIALS AND OTHERS WITH WHOM EMBOFFS HAVE

TALKED EXPRESSED SURPRISE AT INABILITY OF U.S. TO MEET AGRICULTURAL EXPORT REQUIREMENTS. GOI OFFICIALS ALSO POINT TO EXPORT CONTROL AS ANOTHER REASON FOR THEIR PURSUANCES OF SELF-RELIANCE IN AGRICULTURAL PRODUCTION.

2. OF THE U.S. AGRICULTURAL PRODUCTS CURRENTLY UNDER EXPORT CONTROLS ONLY FATS AND OILS ARE OF PARTICULAR CONCERN TO INDIA. EXPORT CONTROLS

ON EDIBLE OIL AND OILSEEDS BY THE U.S. AND SOME OTHER EXPORTING COUNTRIES ARE EXPECTED TO RESULT IN HIGHER WORLD PRICES OF EDIBLE OIL.

A SIMILAR SITUATION IS ANTICIPATED FOR INEDIBLE TALLOW. HIGHER PRICES OF THESE PRODUCTS IN INDIA WILL MEAN A FURTHER DECLINE IN AVERAGE PER CAPITA CONSUMPTION.

3. EXPORT CONTROLS ON U.S. GRAINS, ESPECIALLY WHEAT AND MILO, MAY CREATE EXTREMELY DIFFICULT PROBLEMS FOR INDIA. THE GOI HAS ALREADY

EXPLORED THE POSSIBILITY OF PURCHASING CEREAL GRAINS FOR IMMEDIATE SHIPMENT FROM OTHER EXPORTING COUNTRIES INCLUDING AUSTRALIA, CANADA, ARGENTINA, WESTERN EUROPE AND SUDAN (FOR MILO). THESE EFFORTS WERE NOT SUCCESSFUL. GOI OFFICIALS CONFIRMED THAT THE INDIAN SUPPLY MISSION IN WASHINGTON IS TRYING TO PURCHASE 4.5 MILLION TONS OF FOODGRAINS FROM U.S. EXPORTERS WITH ONLY LIMITED SUCCESS. WE NOW ESTIMATE INDIA'S TOTAL FOODGRAIN IMPORT NEEDS DURING US FY 1974 (ASSUMING AVERAGE WEATHER CONDITIONS) AT ABOVE 5.0 MILLION TONS. THIS QUANTITY OF FOODGRAIN IMPORTS IS NEEDED TO MAINTAIN CURRENT (LOW) FOODGRAIN CONSUMPTION LEVELS AND TO PROVIDE MINIMUM WORKING STOCKS.

4. ASIDE FROM TRYING TO OBTAIN FOODGRAIN IMPORTS FROM OTHER SUPPLYING COUNTRIES AND EXERTING STRONGER EFFORTS TO BECOME SELF-SUFFICIENT IN AGRICULTURAL PRODUCTION, THE GOI HAS NOT INDICATED ANY IMPORTANT CHANGES IN TRADE POLICY, MONETARY NEGOTIATIONS OR TRADE RELATIONSHIP WITH OTHER COUNTRIES AS A RESULT OF NEW U.S. EXPORT CONTROLS.

5. BRIEF SUMMARIES OF THE COMMODITY SITUATION IN INDIA FOR FOODGRAINS, OILSEEDS AND COTTON FOLLOW:

A) FOODGRAINS - TOTAL FOODGRAIN PRODUCTION (WHEAT, COARSE GRAINS, CONFIDENTIAL

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RICE AND PULSES) DURING 1972-73 (JULY 1-JUNE 30) IS CURRENTLY ESTIMATED BY EMBOFFS AT APPROXIMATELY 95 MILLION METRIC TONS. THIS COMPARES WITH GOI PUBLISHED FIGURE OF 104.7 MILLION FOR 1971-72. NO FIGURES YET PUBLISHED FOR 1972-73 PRODUCTION BUT GOI OFFICIALS IN PUBLIC STATEMENTS HAVE INDICATED THE 1972-73 GRAIN CROP WILL TOTAL ABOUT 98-100 MILLION TONS.

GOI FOODGRAIN PRODUCTION TARGET FOR 1973-74 IS 115 MILLION TONS.

RECENTLY SOME AGRICULTURAL MINISTRY EXPERTS ARE SAID TO HAVE LOWERED THEIR SIGHTS TO 107 MILLION TONS. IN VIEW OF THE FERTILIZER SHORTAGE, SEED PROBLEMS AND UNCERTAINTY OF GOVERNMENT POLICIES AND PROGRAMS (INCLUDING PROCUREMENT PRICES TO BE PAID TO FARMERS), EMBOFFS BELIEVE HARVEST MORE LIKELY TO BE AROUND 105 MILLION METRIC TONS.

SEVERAL WEEKS AGO GOI AUTHORIZED THE IMPORTATION OF UP TO 4.5 MILLION TONS OF FOODGRAINS. PURCHASES AGAINST THIS AUTHORIZATION WILL BE IN ADDITION TO THE 1.7 TO 2.1 MILLION TONS PURCHASED DURING DECEMBER 1972-MARCH 1973 OF WHICH ABOUT 1.4 MILLION TONS HAD BEEN IMPORTED BY JUNE 30, 1973.

B) OILSEEDS- PRODUCTION OF ALL MAJOR OILSEEDS IN INDIA DURING THE 1972-73 SEASON IS CURRENTLY ESTIMATED BY EMBOFFS AT 10.7 MILLION METRIC TONS AS AGAINST GOI'S FIGURE OF 12.0 MILLION FOR 1971-72. WITH THE EXPECTATION THAT THE 1973-74 PEANUT CROP WILL IMPROVE OVER LAST YEAR'S DROUGHT EFFECTED CROP, TOTAL OILSEED PRODUCTION IS EXPECTED TO BE ABOVE LAST YEAR'S CROP--PROBABLY AROUND 12 MILLION TONS.

INDICATIONS ARE THAT APPROXIMATELY 60,000 TONS OF VEGETABLE OIL HAS BEEN IMPORTED SINCE APRIL 1973 WITH AN ADDITIONAL 74,000 TONS CONTRACTED FOR DELIVERY DURING THE NEXT SIX MONTHS INCLUDING A RECENTLY SIGNED AGREEMENT OF 42,000 TONS OF PALM OIL FROM MALAYSIA.

C) COTTON - 1972-73 COTTON PRODUCTION IS ESTIMATED AT 6.3 MILLION BALES (180 KGS. EACH) AS AGAINST THE RECORD 7.2 MILLION FOR THE PREVIOUS YEAR. COTTON PRODUCTION IN 1973-74 IS EXPECTED TO BE ABOUT LAST YEAR'S LEVEL.

IMPORTS FOR 1973-74 ARE EXPECTED TO BE DOWN FROM 1972-73 ESTIMATE OF 500,000 BALES. LITTLE OR NO COTTON IS EXPECTED TO
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 18 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: elyme
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NEWDE08339
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS MOYNIHAN
Errors: N/A
Film Number: n/a
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730726/aaaaassh.tel
Line Count: 156
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 73 STATE 125374
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 19 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Dec-2001 by kelleyw0>; APPROVED <09-Jan-2002 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: U.S. AGRICULTURAL EXPORT CONTROLS
TAGS: EAGR, IN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005